# Evaluation of Regional Freight Governance Case Studies

In response to various institutional challenges, municipalities, regions, and states across the country have developed novel arrangements for managing, prioritizing, and financing freight infrastructure improvements. This section evaluates the three case studies discussed by the Regional Freight Leadership Task Force at its November 2013 meeting. Like metropolitan Chicago, all three case studies come from key nodes in the national freight system. While the examples differ in mandate, structure, management, and project selection, they share a common theme of bridging public agency and private business interest to raise freight's profile and bring freight capital projects to completion. The three case studies are the **Alameda Corridor Transportation Authority** in Los Angeles, the **Freight Mobility Strategic Investment Board** in Washington State, and the Kansas City region's **KC SmartPort**. Each of the following case studies is discussed in turn.

# **Alameda Corridor Transportation Authority**

The Alameda Corridor is a 20-mile grade separated rail corridor that runs directly from the Ports of Los Angeles and Long Beach to the rail mainlines near downtown Los Angeles. It was designed, financed, built, and is now operated by the Alameda Corridor Transportation Authority (ACTA), a special-purpose public entity. Before the construction of the Alameda Corridor, freight trains between the ports and downtown had to navigate a complex and tortuous system of nearly 100 miles of branch line with over 200 at-grade crossings. The completion of the project in 2002 consolidated harbor-related rail traffic onto a single corridor, substantially reducing travel times from 4 hours to 30 minutes.

The Alameda Corridor is the result of almost 20 years of effort to move the initial planning concept to reality.¹ The Southern California Association of Governments (SCAG), CMAP's counterpart in the Los Angeles region, played an instrumental role in that process. The origin of the eventual ACTA stems from the work of SCAG's Ports Advisory Committee. Convened in 1981 to investigate growing congestion around the ports, the Committee issued two studies on highway and rail access to the ports based on extensive data collection by the agency. Building off this initial work, SCAG created the Alameda Corridor Task Force in 1985. This group consisted of representatives from the ports, railroads, trucking industry, each of the cities along the affected corridor, and the Los Angeles County Transportation Commission. The Task Force recommended a joint powers authority with design and construction capabilities, and ACTA was formed in 1989.

<sup>&</sup>lt;sup>1</sup> Ronald D. White, "Debt load weighs on Alameda Corridor," Los Angeles Times, September 05, 2010.

#### **Strengths and Weaknesses**

ACTA successfully constructed a major freight infrastructure project on time and on budget. This project greatly improves rail efficiency from the ports to the inland rail mainlines, as well as highway congestion on the nearby Harbor Freeway (I-110), by shifting more traffic to the separated rail corridor. The completion of the project has additional environmental benefits and reduced freight's impact on neighboring residential areas. ACTA's clear decision-making authority has been a key asset, helping move a complex project forward. Finally, freight carriers directly see the results of the user fee and understand that when the debt is retired so too will the fee.

Furthermore, the Alameda Corridor illustrates how a regional planning agency is well positioned to advance freight institutional solutions. First, SCAG helped call attention to a serious transportation need by forming the Ports Advisory Committee. The agency then provided extensive data collection and analysis so that the Committee and other regional stakeholders could make informed decisions. SCAG kept the conversation moving forward by transitioning the findings of the Ports Advisory Committee into a targeted Alameda Corridor Task Force. Finally, the agency brought stakeholders ranging from private carriers to elected officials together to work through a serious regional challenge.

ACTA's innovative revenue stream sets the project apart from other freight institutional arrangements, but has also raised challenges. During the recent 2007-2009 recession, ACTA faced difficulties in meeting its debt service obligations due to lower-than-expected freight volumes. Even as trade volumes increased after the recession, ACTA continues to face challenges meeting debt payments. In 2012, ACTA required a contribution of \$6 million from the Ports to cover its debt service payments.<sup>2</sup> And ACTA's debt service is structured to escalate over time: ACTA's payments on principal and interest were about \$117 million in 2012, and will rise to nearly \$200 million in 2033.

To help address these financing challenges, ACTA accepted an \$83.7 million loan from the Federal Rail Administration in 2012 and used the proceeds to refinance its debt at a lower interest rate.<sup>3</sup> While revenue collected through user fees is expected to increase in step global trade in the long term, the project's financing remains vulnerable to future economic downturns.

While ACTA successfully delivered a major capital project, its focus on a single corridor lacks a holistic approach to regional freight mobility. Some argue that the project simply pushed the freight bottleneck from the Ports to the rail lines east of downtown.<sup>4</sup> The Alameda Corridor-East Construction Authority (ACE) is a separate single-purpose construction authority formed in 1998 to respond to the increasing train traffic in the San Gabriel Valley resulting from the

<sup>&</sup>lt;sup>2</sup> Standard & Poor's, "Alameda Corridor," January 2013.

<sup>&</sup>lt;sup>3</sup> Ronald D. White, "Los Angeles City Council Oks financing deal for Alameda Corridor," Los Angeles Times, May 24, 2012.

<sup>&</sup>lt;sup>4</sup> Ajay Agarwal, Genevieve Giuliano, and Christian Redfearn, "The Alameda Corridor: A White Paper." February 10, 2004.

Alameda Corridor.<sup>5</sup> ACE was originally created within an existing agency, the San Gabriel Valley Council of Governments (SGVCOG). In August 2013, SGVCOG voted to separate ACE from the agency, allowing ACE to become its own joint powers authority.

# Freight Mobility Strategic Investment Board

The Pacific Northwest is one of the nation's major freight gateways. However, prior to the formation of the Freight Mobility Strategic Investment Board (FMSIB) in 1998, goods movement received relatively little attention in Washington State. Beginning in the mid-1990s, private freight representatives expressed concern that the State's transportation planning program lacked an adequate focus on freight. After studying the issue, the state legislature created the Freight Mobility Strategic Investment Board to prioritize freight projects and better leverage transportation dollars by brokering public-private partnerships.

### **Strengths and Weaknesses**

A key strength of Washington State's unique freight governance arrangement is private sector engagement – private freight carriers initially petitioned the state legislature about freight mobility problems, and they have remained a vital component of the program ever since. The board's makeup and technical evaluation teams ensure private carrier and port representation, and their participation helps convince other stakeholders that the money is used effectively and exclusively for freight purposes. According to a Cambridge Systematics review of the program, the incorporation of the private sector and other freight stakeholders into the decision making process has helped FMSIB become recognized as the unified and impartial voice for freight in the state. And by mandating that all projects start construction within one year, the agency ensures that projects move forward. FMSIB's reputation as a unified freight agency has helped it leverage further funding from additional public and private sources.<sup>6</sup>

Despite these strengths, FMSIB faces challenges. First, the agency's rigorous evaluation criteria are in part superseded by requirements to disperse funding across different regions of the state. Second, and more significantly, FMSIB has struggled to maintain dedicated funding. Its enabling legislation awarded the agency a dedicated \$100 million allocation per biennium for freight improvement projects. This revenue came from the state's motor vehicle excise tax, which two years later was eliminated by a citizen initiative. Between 2000 and 2005, the agency faced severe budget challenges, receiving funds from the Puget Sound Regional Council (CMAP's counterpart in the Seattle area) as well as local and private sources. In 2005, FMSIB secured dedicated funding through a larger state transportation package, but at \$12 million per biennium this falls short of the initial vision of the agency.<sup>7</sup>

<sup>&</sup>lt;sup>5</sup> Steve Scauzillo, "Alameda Corridor-East showdown with COG planned for Tuesday," Pasadena Star-News, May 22, 2013.

<sup>&</sup>lt;sup>6</sup> NCFRP Report 2, "Institutional Arrangements for Freight Transportation," Appendix C.

<sup>&</sup>lt;sup>7</sup> Ibid. Note that FMSIB also receives \$3.5 million in safety funds.

#### **KC SmartPort**

Kansas City's unique freight institutional arrangement, KC SmartPort, is a business-led, non-profit economic development agency supported by its dues-paying members. KC SmartPort uses a cooperative model to advance common strategies supporting freight in the region. Specifically, it seeks to attract investment and bring additional freight services to the area. Established in 2001 by the Greater Kansas City Chamber of Commerce, the Kansas City Area Development Council, and the Mid-America Regional Council, KC SmartPort covers the two states, 18 counties, and 50 cities of the Kansas City metropolitan region.

### **Strengths and Weaknesses**

KC SmartPort has a specific mission that sets it apart from other freight governance case studies. Instead of focusing on infrastructure projects, the agency looks at other conditions vital for the success of freight firms. Its cooperative institutional model illustrates how competing firms can come together to support economic development strategies that benefit the entire region. KC SmartPort has representation across freight modes and two states, and treats the entire regional freight network as a single interconnected system. Finally, the organization has been business-led and primarily privately funded since the beginning, a key reason why it has been successful in serving as the unified voice for the regional freight cluster.<sup>8</sup>

KC SmartPort is an economic development entity. Unlike other models of freight governance, KC SmartPort has no authority to prioritize or construct infrastructure improvements. The Board determines the agency's strategic economic development direction, but it is up to individual members to operationalize this strategy. As such, KC SmartPort's institutional design has significant limitations beyond economic development and business services.

<sup>&</sup>lt;sup>8</sup> Jean-Paul Rodrigue, "Kansas City Smartport: The Regionalization of Logistics," Department of Global Studies and Geography, Hofstra University. <a href="http://people.hofstra.edu/geotrans/eng/ch4en/appl4en/kc\_smartport.html">http://people.hofstra.edu/geotrans/eng/ch4en/appl4en/kc\_smartport.html</a>.

## **Conclusion**

The three case studies presented here represent novel institutional responses to improve freight performance in key nodes of the national freight system. While all share a focus on freight, each takes a unique approach to institutional design and performs distinct functions ranging from economic development to project funding and delivery. **Error! Reference source not found.** ummarizes the strong points of each case study as well as potential shortcomings that may limit regional freight governance.

**Table 1. Case Study Comparison** 

	Strengths	Shortcomings
Freight Mobility Strategic Investment Board	Transparent and clearly defined	Loss of biennium allocation
	selection process	limits scope of activity
	Leverages public and private	Mix of performance and
	participation and funds	formulaic criteria
	Unbiased voice for freight	Creation of additional level of
	prioritization	government
Alameda Corridor Transportation Authority	Innovative financing	Servicing debt challenge if traffic
		projections do not materialize
	Delivered major and complex	Contention between Ports and
	infrastructure project on time	mid-corridor municipalities
	and budget	
	Strong role of regional entity in	Project-specific instead of holistic
	advancing institutional response	approach to freight system
Kansas City SmartPort	Predominately privately funded	Does not finance or deliver
		projects
	Raises profile of freight in region	Up to members to operationalize
		strategies

Source: CMAP staff analysis

In the Alameda Corridor example, years of study identified the lack of direct connection from the ports to the inland rail mainlines as a major contributor to congestion and limit to further freight expansion. Stakeholders in Los Angeles designed the Alameda Corridor Transportation Authority with the requisite scope and authority to tackle this specific challenge. In particular, the scale of the infrastructure investment led to an institutional design with significant but targeted powers, capable of servicing debt and managing right-of-way. While ACTA's innovative financing helped lead to a completed project, recently the agency has faced challenges servicing this debt, particularly as projected increases in container traffic failed to materialize during the recession. Further, some critics have argued that ACTA's limited scope simply moved a freight bottleneck further up the system, raising concerns about whether project-specific responses are best for an interconnected freight system.

The creation of the Freight Mobility Strategic Investment Board addressed private sector concerns that transportation planning had failed to recognized freight's integral role to the economy of the Pacific Northwest. FMSIB's bylaws task the agency to prioritize projects through a transparent and clearly-defined process. By designing an institution with government

and industry representation, the agency can also broker innovative financing packages and attract private capital. The agency's dedicated appropriation supplements this core functionality, allowing FMSIB to provide additional funding which often moves projects to completion. This model serves as an example of how a freight institution can be designed to bring together stakeholders that select and prioritize projects in a collaborative environment. However, FMSIB, like the Alameda Corridor, has faced funding challenges, especially after it lost its original biennium appropriation. With fewer funds to award, FMSIB must be more targeted in building strategic partnerships. Finally, Washington State's response to freight mobility challenges resulted in the creation of a new state agency, while GO TO 2040 prefers a regional freight institutional to be housed within an existing agency.

KC SmartPort looks quite different compared to the Alameda Corridor and FMSIB, a result of an institution created for different purposes. KC SmartPort does not finance or deliver projects, instead advocating for freight interest in the region. In this vein it wields less authority yet also requires fewer resources to operate. As the region's voice for freight, the agency can raise the profile of goods movement, in turn leading to future investments that improve freight mobility.

The range in scale, structure, revenue, and functions of the above case studies illustrates how institutions can be designed to serve targeted purposes based on specific freight challenges. The case studies situate each response within their local context to show how the innovative institutions address the primary freight challenge faced by these three major freight nodes. The next meeting of the Task Force will build off these freight governance models to identify the pros and cons of each approach to institutional design, and weigh their relevance to metropolitan Chicago's freight system.